

Exhibit C

TOWN OF FAIR HAVEN WATER AND SEWER COMMISSION No. 1  
 Statement of Cash Flows  
 For the year ended May 31, 1996

Operating activities

Net loss	\$ (44,230)
Adjustments to reconcile net income to net cash provided by operating activities:	
depreciation and amortization	83,235
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(5,840)
(Increase) decrease in interest receivable	(26)
(Increase) decrease in inventory	(14)
(Increase) decrease in prepaid expenses	787
Increase (decrease) in accounts payable	(1,578)
Increase (decrease) in sales tax payable	44
Increase (decrease) in payroll taxes payable	722
Increase (decrease) in other liabilities	14,628
Net cash provided by operating activities	___ 48,488

Investing activities

Purchase of equipment	___ (380)
Net cash used by investing activities	___ (380)

Financing activities

Repayment of long-term debt	___ (38,230)
Net cash used by financing activities	___ (38,230)

Increase in cash	19,915
Cash, beginning of fiscal year	___ 353,000
Cash, end of fiscal year	<u>\$ 372,915</u>

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1995

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Vernon Parish Police Jury is a political subdivision of the State of Louisiana. The Vernon Parish Police Jury is the reporting entity for Vernon Parish as defined by NCGA Statement 3, (defining the governmental reporting entity).

In April of 1994, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governments. In November of 1994, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

Vernon Parish Water and Sewer Commission No. 1 (Commission) is a separate unit of the Vernon Parish Police Jury as defined by GASB codification Section 3100. The Commission was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3812-21. The Commission is governed by a board of seven commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing water and sewer service within the boundaries of the district.

**A. FUND ACCOUNTING**

Vernon Parish Water and Sewer Commission No. 1 is organized and operated on a fund basis as a Proprietary Fund Type--Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1994

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. CASH AND CASH EQUIVALENTS**

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of one year or less. Under state law, the Commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, or U.S. bonds, treasury bills and notes, or certificates.

**C. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted assets include revenue bond reserve accounts and customer water deposits.

**D. FIXED ASSETS AND LONG-TERM LIABILITIES**

The fixed assets and long-term liabilities of the water and sewer commission are recorded for on the balance sheet of the Enterprise Fund. The fixed assets of the commission as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

**E. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

VIRGINIA PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1996

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BUDGETARY PRACTICE

The Vernon Parish Water and Sewer Commission No. 1 utilizes the following budgetary practice:

Annually the Commission adopts a budget for the Enterprise Fund as a management device for control of revenues and expenses. The budget is amended at various times during the year as the need arises. A comparison of revenues and expenses is not included with the accompanying statements.

G. INVENTORY

Inventories are valued at cost. Inventories in the Enterprise Fund consist of expendable supplies held for use in repairs and extending water mains of the water and sewer district. The cost is recorded as an expense at the time the item is purchased. At year end the physical inventory is adjusted to expense and carried on the Balance sheet as a current asset.

H. RETIREMENT COMMITMENTS

All employees of the Commission are members of the federal social security system. The commission contributes 7.6% of gross salaries up to appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

I. BOND INSURANCE COSTS

Amortization of bond insurance costs is computed on the straight-line method over thirty years.

## VERNON PARISH WATER AND SEWER COMMISSION NO. 1

## Notes to the Financial Statements

May 31, 1994

**NOTE 4--CHANGES IN LONG-TERM DEBT (CONTINUED)**

The long-term debt payable at May 31, 1994 is comprised of the following issues:

Water Revenue Bonds:	
\$710,000 Waterworks Revenue Bonds dated January 15, 1988; due in annual installments of \$80,129 through November 17, 2027; interest at 6.375%	\$ 800,400
Utilities Revenue Refunding Bonds:	
\$273,721 Utilities Refunding Bonds dated 4/6/89 due in average annual installments of \$101,600 through April 1, 2019; interest at 11%	262,592
Total	<u>\$1,062,992</u>

The annual requirements to amortize all revenue bonds outstanding as of May 31, 1994, including interest payments of \$7,808,366 are as follows:

Year Ending May 31,	Revenue		Total
	Bonds	Refunding Bonds	
1994	\$ 51,129	5 114,443	\$ 165,572
1997	80,129	113,384	193,513
1998	80,129	112,319	192,448
1999	81,129	111,832	192,961
2000	81,129	109,169	190,298
Thereafter	<u>1,388,483</u>	<u>1,838,443</u>	<u>3,226,926</u>
Total	<u>\$1,616,128</u>	<u>\$2,852,308</u>	<u>\$4,468,436</u>

There are limitations and restrictions contained in the various bond indentures. The Vernon Parish Water and Sewer Commission No. 1 is in compliance with all significant limitations and restrictions.

## VERMONT PARISH WATER AND SEWER COMMISSION NO. 1

## Notes to the Financial Statements

May 31, 1996

NOTE 3--CHANGES IN FIXED ASSETS (CONTINUED)

The following estimated useful lives are used to compute depreciation:

Buildings	15-30 years
Improvements other than buildings	5-40 years
Furniture, fixtures, and equipment	3-7 years

NOTE 4--CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Vermont Parish Water and Sewer Commission No. 1 for the year ended May 31, 1996:

	Revenue Bonds	Bank Note	Revenue Refunding Bonds	Total
Debt payable, June 1, 1995	\$693,031	\$17,995	\$893,127	\$1,599,953
Debt retired	(7,382)	(8,814)	(18,536)	(34,732)
Debt incurred	---	---	---	---
Debt payable May 31, 1996	\$685,649	\$9,181	\$874,591	\$1,569,421

All of the outstanding balance of the bank note at Merchants & Farmers Bank has been classified as current since it is scheduled for payoff in early 1997.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1  
EXIT CONFERENCE

For the year ended May 31, 1998

An exit conference was held with Corrie James, Head Bookkeeper on November 5, 1998 to discuss the proposed audit report.

TERMINAL PARISH WATER AND SEWER COMMISSION NO. 1

QUESTIONED COSTS

For the year ended May 31, 1986

During the year ended May 31, 1986, I noted no questioned costs arising from my audit.



## VENUE PARISH WATER AND SEWER COMMISSION NO. 1

## COMPENSATION OF BOARD MEMBERS

For the year ended May 31, 1988

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1988 session of the Legislature.

As provided by Louisiana Revised Statute 33:4504, the president of the board and each member received \$400 and \$150 per diem, respectively, for attendance at meetings of the board.

	Number Attended	Amount
Carol Bushroy	12	\$ 320
Billy Jaxon	11	550
Paul Vinson	12	510
A. L. Scott	12	600
Jarvis Hallinan	11	510
James Morrill	12	600
Carrey Ann Kiddiff	12	600
		-----
Total		\$9,120

WYOMING FARMER METER AND HOME COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1956

NOTE 5--DUE TO FARMER' HOME ADMINISTRATION

This amount of \$1,328 is interest earned on construction period advances and is restricted for use on the current construction project or payments on existing debts to the Farmers' Home Administration.

NOTE 6--LITIGATION

The Commission was not involved in any litigation nor did it have asserted claims lodged against it.

EXHIBITARY INFORMATION

MISSISSIPPI PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1996

NOTE 2--CASH AND CASH EQUIVALENTS

At May 31, 1996, the carrying amount of the Commission's cash and cash equivalents was \$366,386 and the bank balance was \$378,888. Of the bank balance, \$100,800 was covered by federal depository insurance, and \$278,088 was covered by collateral held in the Commission's name by the pledging banks' safekeeping agent.

NOTE 3--CHANGES IN FIXED ASSETS

Fixed assets are recorded at cost or estimated cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

The following is a summary of changes in fixed assets as of May 31, 1996:

	Land	Buildings	Improvements other than Buildings	Furniture, Equipment, & Instruments	Total
Balance, June 1, 1995	\$21,861	\$108,075	\$ 2,808,221	\$ 125,846	\$3,064,003
Additions	---	---	---	340	340
Deletions	---	---	---	---	---
Balance, May 31, 1996	21,861	108,075	2,808,221	125,786	3,064,043
Less: Accumulated depreciation	---	(22,217)	(128,355)	(116,850)	(327,422)
Net fixed assets	\$21,861	\$ 85,858	\$ 2,679,866	\$ 8,936	\$2,786,621

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W. Michael Glass, CPA

**REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS  
REQUIRED BY THE GAO'S ENVIRONMENTAL AUDITING STANDARDS**

Board of Commissioners  
Verona Parish Water and Sewer Commission No. 1  
New Orleans, Louisiana:

I have audited the general-purpose financial statements of the Verona Parish Water and Sewer Commission No. 1, as of and for the year ended May 31, 1996, and have issued my report thereon dated November 1, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Verona Parish Water and Sewer Commission No. 1 is the responsibility of the system's management. As part of obtaining reasonable assurance about whether the general-purpose financial statements are free of material misstatement, I performed tests of the Verona Parish Water and Sewer Commission No. 1's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests indicate that, with respect to the items tested, the Verona Parish Water and Sewer Commission No. 1 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the Verona Parish Water and Sewer Commission No. 1 had not complied, in all material respects, with those provisions.

This report is intended for the information of the System's management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*W. Michael Glass, CPA*  
Elliott & Associates, Inc.  
Lafayette, Louisiana  
November 1, 1996

## VERNON FINANCIAL MATTER AND SERVICE COMMISSION NO. 1

## BALANCE SHEET

May 31, 1994

## ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 29,499
Receivables (net, where applicable, of allowances for uncollectibles)	
Interest	804
Accounts	58,209
Inventory, at cost	36,087
Prepaid expenses	4,128
Total current assets	138,732
Restricted assets:	
Cash and cash equivalents (Note 2)	323,310
Total restricted assets	323,310
Fixed assets (Note 3):	
Land	71,861
Buildings	105,075
Improvements other than buildings	2,808,224
Furniture, fixtures, and equipment	125,788
Less: accumulated depreciation	(125,862)
Fixed assets (net of accumulated depreciation)	2,126,661
Bond insurance costs:	
Less: Accumulated amortization	18,361
Bond insurance costs (net of accumulated amortization)	25,839
Total assets	\$ 2,608,432

The accompanying notes are an integral part of this statement.

**Exhibit B**

**VISION WATER AND SEWER COMMISSION NO. 1**  
**Statement of Revenues, Expenses and Changes in Retained Earnings**  
**For the year ended May 31, 1966**

<b>Operating revenues:</b>	
Charges for sales and services:	
Water sales	\$ 447,044
Service connection fees	5,528
Penalty and reconnect fees	27,592
Miscellaneous income	<u>      288</u>
<b>Total operating revenues</b>	<b><u>      480,472</u></b>
<b>Operating expenses:</b>	
Salaries and related benefits	259,185
Depreciation (Note 3)	82,099
Utilities and telephone	43,134
Repairs and maintenance	24,737
Insurance	17,869
Office expense	9,709
Accounting and legal	6,034
Travel expense	14,188
Supplies	6,592
Per diem of board members	4,338
Equipment rent	1,881
Miscellaneous	212
Uniform service	2,253
Amortization	1,136
Land lease expense	593
Engineering fees	468
Small tools	43
Mileage	549
Bank charges	246
Books and subscriptions	<u>      225</u>
<b>Total operating expenses</b>	<b><u>      393,884</u></b>
<b>Operating income</b>	<b><u>      86,588</u></b>
<b>Nonoperating revenues (expenses):</b>	
Interest income	9,780
Interest expense (Note 4)	<u>(181,484)</u>
<b>Total nonoperating revenues (expenses)</b>	<b><u>      (171,704)</u></b>
<b>Net loss</b>	<b>144,930</b>
<b>Retained earnings, beginning</b>	<b><u>      956,829</u></b>
<b>Retained earnings, ending</b>	<b>\$ 811,899</b>

The accompanying notes are an integral part of this statement.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

- Billings/Accounts
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll
- Property, plant and equipment

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

I noted no matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the Vernon Parish Water and Sewer Commission No. 1's management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

*Elliot J. Am. CPA*  
Louisville, Louisiana  
November 1, 1984



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W. Michael Elliott, CPA

**REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON  
AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH STATEMENT AUDITING STANDARDS**

Board of Commissioners  
Verona Parish Water and Sewer Commission No. 1  
New Orleans, Louisiana:

I have audited the general-purpose financial statements of the Verona Parish Water and Sewer Commission No. 1, as of and for the year ended May 31, 1996, and have issued my report thereon dated November 1, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

In planning and performing my audit of the general-purpose financial statements of the Verona Parish Water and Sewer Commission No. 1 for the year ended May 31, 1996, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the general-purpose financial statements and not to provide assurance on the internal control structure.

The management of the System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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TERMIN PARISH WATER AND SEWER  
COMMISSION NO. 1  
FINANCIAL STATEMENTS  
May 31, 1966

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **DEC 11 1966**

**ELLIOTT & ASSOCIATES, INC.**

A Professional Accounting Corporation

P. O. Box 1287

Louisville, Louisiana 71496-1287

July 26, 1998  
2845 274-3320  
In 287-3390

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Verona Parish Water and Sewer Commission No. 1  
New Orleans, Louisiana:

I have audited the accompanying general-purpose financial statements of the Verona Parish Water and Sewer Commission No. 1 as of and for the year ended May 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Verona Parish Water and Sewer Commission No. 1. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Verona Parish Water and Sewer Commission No. 1 as of and for the year ended May 31, 1998, and the results of its operations and changes in cash flow for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Verona Parish Water and Sewer Commission No. 1. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

*Elliott & Assoc. "APAC"*  
Louisville, Louisiana  
November 5, 1998

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## Exhibit A

## LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 8,694
Sales tax payable	1,143
Payroll taxes payable	1,328
Current maturity of note payable (Note 4)	<u>8,629</u>
Total current liabilities	<u>21,833</u>
Current liabilities payable from restricted assets:	
Customer deposits	72,730
Accrued interest payable--bonds (Note 4)	69,046
Due to Farmers Home Administration (Note 5)	1,228
General obligation bonds payable--current (Note 4)	<u>21,555</u>
Total current liabilities payable from restricted assets	<u>163,559</u>
Long-term liabilities (Note 4):	
General obligation bonds payable (net of current portion)	<u>1,541,495</u>
Total long-term liabilities	<u>1,541,495</u>
Total liabilities	<u>1,886,887</u>
Equity:	
Retained earnings:	
Reserved for customer deposits	38,097
Reserved for general obligation bond indentures	198,445
Unreserved	<u>287,223</u>
Total retained earnings	<u>523,765</u>
Total equity	<u>523,765</u>
Total liabilities and equity	<u>\$ 2,410,652</u>